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ABSTRACT

Declining enrollments and fiscal stringency in the 1980's and 1990's must be met by a new management style if higher education in California is to maintain quality and meet the educational needs of the public. Unlike the situation in the 1960's and 1970's, higher education is now faced with a no-growth situation brought about by: (1) fewer young people in the 18 to 24 age group, (2) fewer high school graduates in proportion to the total number of high school students, and (3) a drop in the rate in which potential students decide to enroll. This no-growth situation will not be substantially altered by the increasing enrollments among minority and older groups. The results may be decreased resources distributed on the basis of enrollment and the underutilization of facilities. Fiscal trends in the wake of Proposition 13 will necessitate an increase in the percentage of funds provided by the state and, thus, a change in budgeting procedures. The formula, for example, by which state funds were apportioned to community colleges on the basis of enrollment and district relative wealth, had to be changed after Proposition 13 undermined local revenues. Given the likelihood that fiscal reductions will continue, management must place more emphasis on review and evaluation of existing programs and legislators should allow educators the latitude to develop these new management procedures. (JP)

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CHALLENGES AND CONSTRAINTS IN CALIFORNIA HIGHER EDUCATION

by Patrick M. Callan

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by Patrick M. Callan

The Director of the California Postsecondary Education Commission reviews the condition of higher education in our State today in an article based upon his testimony to committees of the California State Legislature. Overviewing the three communities of higher education --University, State University, and Community College systems, Pat Callan sees the responsibility as large, and the possibilities optimistic for the decades ahead. --DSM

The context within which public and institutional policy for postsecondary education is now and will be made in the next few years is changing. Proposition 13 has had its impact, but the changes which are influencing education go far beyond that single piece of legislation. We need to re-examine and revise many of the fundamental assumptions that have served as the basis, over the past two decades for the organization of higher education in California.

The states' master plan for higher education, developed in 1960, was geared primarily to respond to the need for dramatic and unprecedented expansion in those years which experienced the entry into higher education of the post-WWII baby-boom population. Figures for the age group 18-24 grew from about a million and a quarter in 1960 to almost three million in those two decades.

What lies ahead, however, presents a different picture. From just under three million in the early 1980s, we can expect a drop to under two and a half million in 1992, according to projections of the State Department of Finance. This is attributable to the fact that although the female population of childbearing age is in fact ascending, the birthrate per 1,000 women is rapidly descending, leaving the projected birthrate for the period covered just about half of what it was two decades ago. Clearly there will be fewer people to serve in this traditional 18-24 year old age group.

More Minorities

Another factor: a higher proportion of young people in general, and of the population of the state as a whole will be minority in the next period of twenty years. Figures from the California State Department of Finance and the U.S. Bureau of the Census indicate that the birthrate per 1,000 women in the mainstream population (ages 15-44) is dropping rapidly, while the birthrate among minorities is increasing dramatically.

In addition, people who do not finish high school are not usually considered candidates for college enrollment, although many of them certainly do enter higher education through the community colleges which are "open door" institutions in this state. Our figures indicate at this time that the high-school drop-out rate is increasing and that a smaller percentage of eighteen year-olds are attaining the twelfth grade than was true in the past.

Finally, and largely independent of the previously reported factors, we can also substantiate that the rate at which potential students decide to enroll in higher education is also decreasing. Estimates in this area are probably

"guestimates" in terms of statistical probability, yet they are indicative of what we may anticipate in the next two decades. Choices about whether or not to go to college are influenced by an increasing number of alternatives: manpower training programs, employment prospects, and military recruiting among them.

Fewer Young People

What all this says to us is that our energies and our policies in California higher education can no longer be dominated almost entirely by the growth imperative. California can expect fewer young people in the 18-24 year-old age group, fewer high school graduates proportionately to the total number entering high school, more ethnic minorities among those who do enter college, and overall, a significant drop in college enrollments in these years.

Certainly the next higher age group--25-34 year-olds--does represent an enrollment potential, particularly for the community colleges, and this is a growing portion of the population. At least two factors rule out this group as a balance to the general decline in total enrollments however. The number of Californians in this category will grow at a rate of only about 1 percent a year in the early 1980s, will slow to .2 percent in the early 1990s, and will probably decline after 1992. Further, these older students tend to enroll part time, and it takes three to five part-time students to offset one full time student in terms of credit hours generated and most other indices used for allocating resources.

It needs to be emphasized also that all institutions of higher education will not be similarly affected by these trends. Student choices will play a role in what happens. Some institutions will be more or less affected than will others. And some areas of California will continue to grow.

Implications

In a no-growth or decline situation, resources distributed on the basis of enrollment do not increase and internal shifts in enrollment patterns become much more difficult to accomodate. We have seen a few such shifts in the past ten years, when students have moved, for instance, into more applied academic program areas such as business and engineering, and out of the less costly liberal arts programs. It is much easier for an institution to handle fluctuations of this kind when its total enrollment is growing.

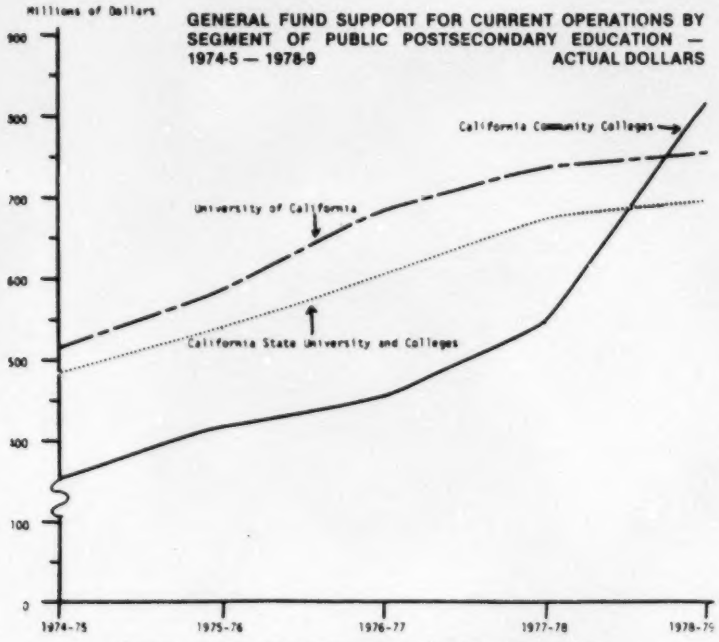
Physical facilities may in many cases be underutilized. Total educational cost per student increases when enrollments decline. And there are other factors to consider in this context when looking at problem areas with limited flexibility. Among them: less mobility of faculty (increasing tenure rate, extension of the mandatory retirement age, etc.). Affirmative action is in serious trouble--we are just not going to be doing too much hiring. It is ironic that at a time when we are beginning to achieve some success in graduating more qualified women and minorities from the graduate and professional schools who are ready to assume faculty positions, the market is shutting down.

Fiscal Trends

Lets have a look at some of the issues which will have to be faced in the upcoming year(s), particularly in light of recent fiscal trends and the wake of Prop. 13.

We can begin on what would seem at the outset as a bright note: total operating funds available from all sources to the public segments have risen steadily during the past five years by approximately 5 percent per year (from about $3.6 billion in 1974-75 to almost $5 billion in '78-'79 -- a total of over 26

percent). Graphically, as illustrated below, it may be clearly seen that the State's General Fund committment for the support of operations (excluding capital outlay) has risen from $1.4 billion (1974-75) to $2.34 billion in the current year. This represents an increase of approximately thirteen and a half percent for post-secondary education over this five-year period.



GENERAL FUND SUPPORT FOR CURRENT OPERATIONS BY SEGMENT OF PUBLIC POSTSECONDARY EDUCATION — 1974-5 — 1978-9 ACTUAL DOLLARS

SOURCE: CALIFORIA POSTSECONDARY EDUCATION COMMISSION, based on data from the Commission's October Director's Report

However, in constant dollars (as looked at in terms of the 1967 Consumer Price Index) the picture doesn't look quite so bright. Budgets for the University of California and the State University and Colleges system have both begun a downward curve. Only the Community Colleges show a healthy line, even strengthened (after Prop. 13) by the state's bail-out funds, which increased general fund support for the community colleges by over $100 million in constant dollars, a 38 percent increase over the previous year and 78 percent higher than the 1974-75 state funding level. It is important for the community college observer to note, however, that because of the loss in property tax support, the total dollars available from all sources for the community colleges dropped by nearly 61 million dollars in 1978, or over 11 percent between 1-11-78 and 1-79-80.

Broader View

In a broader view, the State's proportion of the University's total revenues has remained stable (about 32 percent) while State support of the State University and College system (largely because of research) holds at about 70 percent. At the community colleges level, the 40 percent figure which was true in 1978-79 has increased to 70 percent following SB 154 which distributed the state's budget surplus, replacing local revenues lost after Proposition 13.

The point: the State provides the overwhelming majority of instructional and administrative funds for *all* public and post-secondary education, and will continue to do so unless these institutions should happen to develop large, new sources of revenue.

Delicate Balance

In the area of FTE monies, the figures show a leveling-off of State support (for the State colleges and University); the constant dollar level of student financial aid also remains level.

For purposes of this article, it is perhaps enough to point out that much of what is happening overall in the total higher education community involves a sometime delicate balance between the monies available, the traditional funding patterns of the state, the constitutional constraints related to the various systems supported by the state, and other factors which are a part of the entire dialog generated by Proposition 13, and the accompanying demographics which have been observed across the state and the nation. From where we sit, in the Postsecondary Education Commission, we see several significant things happening.

Budget Planning

First, we note that both the University of California and the State University began budget planning for 1979-80 with the assumption that the reductions mandated in the prior year's budget control language were temporary and would be restored in the 1979-80 base. They weren't. In fact, the Governor and the Department of Finance decided to continue the reductions (over $15 million for the University and $14 million for the State University) and to mandate another one percent in unidentified savings.

Second, salary increases must now be determined through collective bargaining, a factor which takes on some additional significance when seen in the light of actual dollars--$100 million, for the anticipated need to produce realistic income for University faculty and staff, and $70 million for the Community Colleges.

Third, the California Community Colleges entered the budget review process in an unprecedented way. Previously, state apportionments for the colleges had been guaranteed through a statutory formula which provided dollars per measure of attendance based on the relative wealth of the districts and their enrollments. Following Prop. 13, local revenues were drastically reduced for the community colleges and the basis for calculating equitable state apportionments was destroyed. The Chancellor of the community colleges had to calculate the needs of the system statewide, asking for a total of $925 million in 1979-80, or about 14 percent more than the system got in 1978-79 through apportionments and the state surplus. Look at this in terms of the Governor's budget for 1979-80--which included only about half the dollar non-salary increases asked for (i.e., for all three segments.)

Trends

There appear to be four potential trends in state-level budgeting for post-secondary education this year: First, a likelihood that the reductions imposed immediately after Proposition 13 will be continued. Second, a likelihood that additional budget reductions will be made, but that each of the higher education communities may determine where these reductions will occur. Third, that few program enrichments can be expected. Fourth, that continued efforts will be made to save in areas which will not threaten jobs.

Expectations and Leadership

In my discussions with the Assembly Permanent Subcommittee on Postsecondary Education, the Assembly Ways and Means Subcommittee on Education, and the Senate Finance Subcommittee, I have outlined legislative expectations and educational leadership considerations which I would like to summarize for the reader of this article. It seems to me that these concerns follow upon the realities which have been touched upon in the above remarks.

For one thing, I think legislators should except--in the wake of declining enrollments and fiscal stringency--to find a certain amount of initial confusion. Administrators in higher education face the dilemma of having to choose between competing objectives that are both desirable and worthwhile. These educators will have to examine a broad range of programs and activities systematically, decide which are the more important, and which ones command a higher priority in terms of student and societal needs.

Management and Style

To accomplish this, a very different management style will be needed, particularly because higher education does not have the tools and traditions to handle long term declines of the size we now face. Most institutions have experienced a year or two of retrenchment and tight budgets, but not the ten or fifteen-year period we now forsee. The development of policies and procedures which will work under these conditions may be difficult for institutions which have operated primarily in the traditional way. Consensus, which has been a way of decision-making in the past, works well in times of growth but not so well in times of retrenchment and decline.

Review and Evaluation

Primary emphasis in the new management style will be one in which the review and evaluation of existing programs, and the allocation of limited resources within carefully formulated criteria and priorities will be an uppermost consideration. Such reviews will have to be comprehensive, systematic and rigorous, with some focus on eliminating duplication, promotion consolidation, and/or termination of efforts, and on statewide coordination programs, resources and opportunities. In this new era, the ability to do new things--launch new programs and respond to new needs--will come primarily from allocation of existing resources, not from large infusion of new dollars. The new management style should also encourage imagination and fresh approaches, especially when both productivity and individualization of the educational process can be enhanced; the sharing of resources, facilities and faculty encouraged, as well as consortial arrangements and use of technology, etc.

Essential Objectives

There are two essential objectives with which we are all faced as we deal with the new conditions of higher education in California today--the need to maintain the existing high quality of our educational programs and to assure that the public interest is served in all ways. Mechanistic, across-the-board cuts need to be avoided. Instead, we should expect selective and differential cuts, based upon qualitative judgments and a concern for maintaining the highest delivery power for education in our state. We should expect institutions to demonstrate that the educational needs of the public are taking precedence over the aspirations of campuses, faculties and staffs.

Challenge to the Legislature

In the light of all this, I would expect the role of the legislature and the Governor to be one primarily of maintaining overview, of ensuring that the needed procedures and priorities are in place and operating on the campuses of the state. I would expect that most decisions regarding academic programs and academic priorities should be made by institutions themselves.

This is a time when the legislator should expect to provide our educational leaders with more, rather than less, responsibility for exercising judgment, when those at the institutional level who are making such judgments should be looked at in terms of the extent to which those judgments are both rigorous and humane.

At times like this, it is tempting to minimize discretion in order to ensure that the worst possible errors will be avoided. The better course is to provide educational institutions with latitude, while holding them accountable for the results of their decisions. The way that the legislature deals with this issue will, in my view, determine to a great extent whether the changes and improvements in management style that are needed in higher education can or cannot be achieved. Like all traditional institutions, higher education is sometimes remarkably slow to recognize and respond to the changes that take place in society, whether they be economic, demographic, political, or attitudinal. One need only remember, however, that it took a legislative resolution calling on the educational comunity in this State to get its house in order to bring about the Master Plan which we now acclaim. By the same token, we have been aware of the demographic prospects for the eighties and the nineties for quite some time, yet it took the trauma of Proposition 13 and the Governor's "10 percent letter" for the higher education community itself to begin seriously and realistically making plans for a much different future.

History is very clear on one point: When the higher education community in California has mobilized its energies to address a set of issues, it has done so with great effectiveness and in a way that has provided the people of California with the highest quality of postsecondary education. There is no reason not to expect history to continue--in this respect--to repeat itself.

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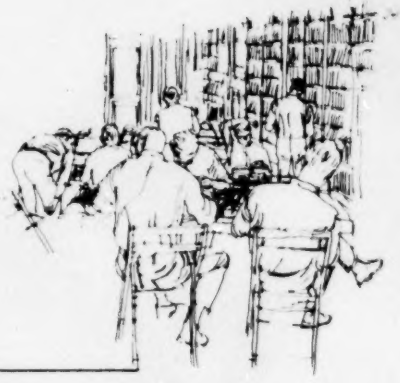

Dr. Callan presented these remarks, with some focus especially on the Community College, in an address to the Faculty and Staff of Chabot College at the beginning of the current academic year.